

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 3248 - HB 3592

February 17, 2010

SUMMARY OF BILL: Establishes the “Tennessee Small Business Procurement and Contracting Opportunity Act”. Effective October 1, 2010, requires the Department of General Services (DGS) to adopt a plan to maximize participation of Tennessee small business in state contracting. Requires the Department to strive to achieve a minimum of 20 percent participation by small businesses through prime and second-tier state procurement and contracting. Requires the Commissioner of the Department of Finance and Administration to create regulations that will give preference for Tennessee small businesses in the evaluation of proposals for state contracts. The percentage of preference will be based on a sliding scale ranging from five percent for contracts below \$500,000 to two percent for contracts that exceed \$1 million. Preference will be given for contracts above \$2 million for general contractors who use Tennessee small businesses to complete at least 50 percent of the contracted work. Authorizes DGS to provide training and educational activities for qualified Tennessee small businesses.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – Exceeds \$4,800,000/FY10-11
Exceeds \$6,400,000/FY11-12 and Subsequent
Years**

Assumptions:

- Fiscal Review staff collected information from the contracting agencies in the state to determine the current total obligation for contracts for the state. The total value of contracts is estimated to be \$25,459,908,814.
- Contracting agencies include the Departments of General Services, Transportation, and Finance and Administration (including the Office of Contracts Review and the State Building Commission). The total amount does not include interdepartmental agreements or contracts for higher education.
- An estimated 10 percent (\$2,545,990,881) of the total value of contracts are awarded to businesses that are eligible for a preference percentage but who did not have the lowest cost proposal. The value of the preference given was one percent (\$25,459,909) divided across a three-year contract term for an annual cost of \$8,486,636. Seventy-five percent of this contract allocation is spent during the year resulting in an increase in state expenditures of \$6,364,977.

- Given the effective date of October 1, 2010, the estimated increase in expenditures for FY10-11 is figured at 75 percent of the subsequent years or \$4,773,732.75 (\$6,364,977 x 75%).
- Any cost associated with the provision of training and education by the Department of General Services can be accommodated within existing resources without an increased appropriation or reduced reversion.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

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